

Message Text

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FM AMEMBASSY TEHRAN

TO USDOC WASHDC

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UNCLAS TEHRAN 00405

E.O. 11652: N/A

TAGS: BPRO, IR

SUBJECT: ENVIROGENIC SYSTEMS BID FOR CHAH BAHAR WATER AND
POWER PLANT

REF: USDOC 0020

1. ECON COUNSELOR HAS SPOKEN WITH UNDERSECRETARY FOR ENERGY IN
MINISTRY OF WATER AND POWER (MR. KAHKASHAN), MR9 ALIDAD
FARMANFAMA
AN, OFFICIAL OF PARSCONSULT (MR. RAMINEH) AND MR.
RAMIS IRANI, BEIRUT REP OF ENVIROGENIC SYSTEMS CO. OF EL MONTE,
CALIFORNIA. FOLLOWING INFORMATION OBTAINED AS RESULT THESE
CONVERSATIONS IS SUBMITTED IN RESPONSE TO REFTEL AND COMMERCIAL
CABLE RECEIVED FROM EVP LARRY MAYFIELD OF ENVIROGENICS.

2. DEPUTY MINISTER ON JANUARY 11 STATED THAT FINANCIAL PROPOSALS
WOULD BE OPENED WITHIN A DAY OR TWO WHEREUPON THE GOI WOULD THEN
BE ABLE FURTHER TO CONSIDER THE FOUR(4) TECHNICAL PROPOSALS
PREVIOUSLY SUBMITTED FROM ITALIAN, FRENCH, JAPANESE AND US FIRMS.
IN RESPONSE TO QUESTION, HE STATED THAT ENVIROGENICS' TECHNICAL
PROPOSAL HAD BEEN RANK-ORDERED FOURTH IN A FIELD OF FOUR BUT
DECLINED TO COMMENT ON HOW THIS
DECISION ARRIVED AT. IN SUBSEQUENT
CONVERSATION, MR. RAMINEH OF PARSCONSULT SAID THAT HIS FIRM
HAD MADE DETAILED EXAMINATION OF THE FOUR TECHNICAL PROPOSALS
FOR MINISTRY, EACH PROPOSAL EXAMINED ON ITS OWN MERITS, BUT
SAID THAT NO RANKING HAD BEEN GIVEN. HE SAID HE DOUBTED VERY
MUCH IF MINISTRY HAD THE CAPACITY TO IMPROVE UPON EVALUATIONS
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PAGE 02 TEHRAN 00405 160126Z

MADE BY PARSCONSULT.

3. MR. IRANI, BEIRUT REP OF ENVIROGENICS, WHO WAS PRESENT AT OPENING OF FINANCIAL BIDS IN ZAHEDAN ON JANUARY 11, SAID THAT ENVIROGENICS SUBMITTED LOWEST BID. ACCORDING TO MR. IRANI, FRENCH AND JAPANESE BIDS WERE THROWN OUT BECAUSE THEY DEVIATED SUBSTANTIALLY FROM SPECIFICATIONS LAID DOWN BY MINISTRY. ENVIROGENICS' BID ON MAIN TENDER CAME TO RIALS 10,939,085,093 (APPROXIMATELY \$158 MILLION) WITH FOUR ALTERNATIVE PROPOSALS (ONE HIGHER THAN MAIN TENDER FIGURE AND THREE EQUIVALENT OR LOWER THAN MAIN TENDER BID). ITALIAN FIRM SIR TENDERED AT RIALS 12,331,323,550 AFTER ALLOWANCE FOR DISCOUNT. MR. IRANI WAS UNCERTAIN AS TO WHAT NEXT STEP BY MINISTRY WOULD BE.

4. BASED UPON RECENT PAST EXPERIENCE, EMBASSY WOULD ESTIMATE THAT A PROLONGED PERIOD WILL NOW FOLLOW IN WHICH MINISTRY WILL SEEK COST REDUCTIONS IN ENVIROGENICS BID AND PROBABLY IN BID OF ITALIAN FIRM AS WELL. EVENTUALLY, MINISTRY WILL DECIDE ON EITHER US FIRM OR ITALIAN FIRM, AFTER CONSIDERING TECHNICAL AND FINANCIAL BIDS OF EACH, AND THEN BEGIN FORMAL CONTRACT NEGOTIATIONS. CURRENT CASH FLOW AND BUDGETARY STRINGENCIES WITH GOI SUGGEST THAT THERE WILL BE HARD BARGAINING AHEAD. F.Y.I.: EMBASSY HAS RELIABLE INFORMATION THAT CURRENT BUDGETARY SITUATION WILL EVENTUALLY MEAN A SEALING DOWN OF THE CHAH BAHAR NAVY PORT PROJECT AND A PARALLEL DIMINUTION IN THE WATER AND POWER FACILITIES WHICH WILL SERVE EXISTING AIR FORCE BASE AND PROPOSED NAVY BASE. IT IS TOO EARLY TO SAY PRECISELY WHAT THE DIMENSIONS OF THE CHAH BAHAR PROJECT WILL EVENTUALLY BE. END F.Y.I. SEKE OF THIS PARAGRAPH HAS BEEN GIVEN TO MR. IRANI.

5. EMBASSY WILL KEEV IN TOUCH WITH MINISTRY AND THE OTHER PARTIES AND REPORT DEVELOPMENTS AS THEY OCCUR.

6. ACTION REQUESTED: USDOC REQUESTED TO TRANSMIT FOREGOING TO MR. MAYFIELD OF ENVIROGENICS.
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